Terminal Financial Plan Update

Northwest Regional Airport Authority

Cherry Capital Airport (TVC)

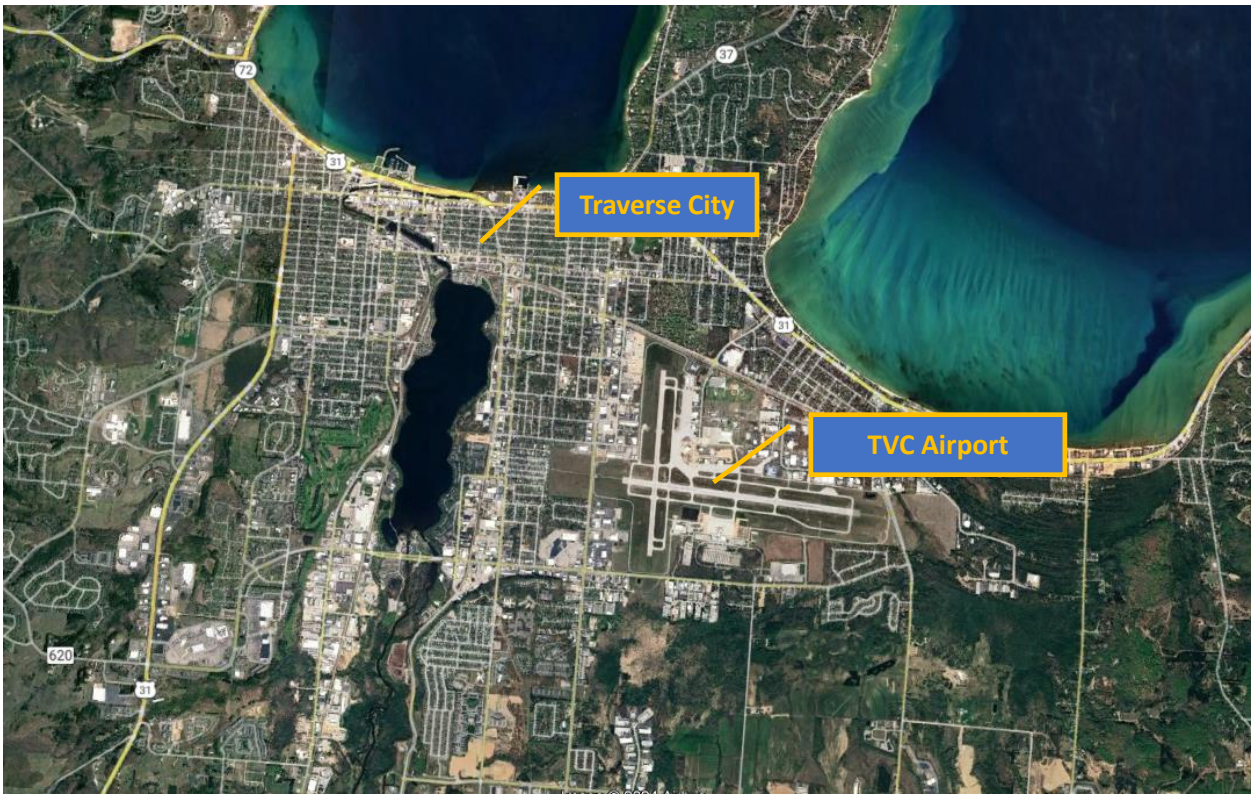
August 2024

Purpose and Need

Scope of Project

Cherry Capital Airport (Airport or TVC) is a public-use airport owned and operated by the Northwest Regional Airport Authority (NRAA). The Airport is in Traverse City, Michigan, in Grand Traverse County, approximately two miles south of the downtown area. TVC's location in relation to the City of Traverse City is illustrated in ***Figure 1***.

Figure 1: TVC Location Map



Source: Google Earth, 2024

In order to accommodate existing air carrier operations and passenger enplanements, TVC is proposing to build an expansion to its commercial terminal building and supporting apron.

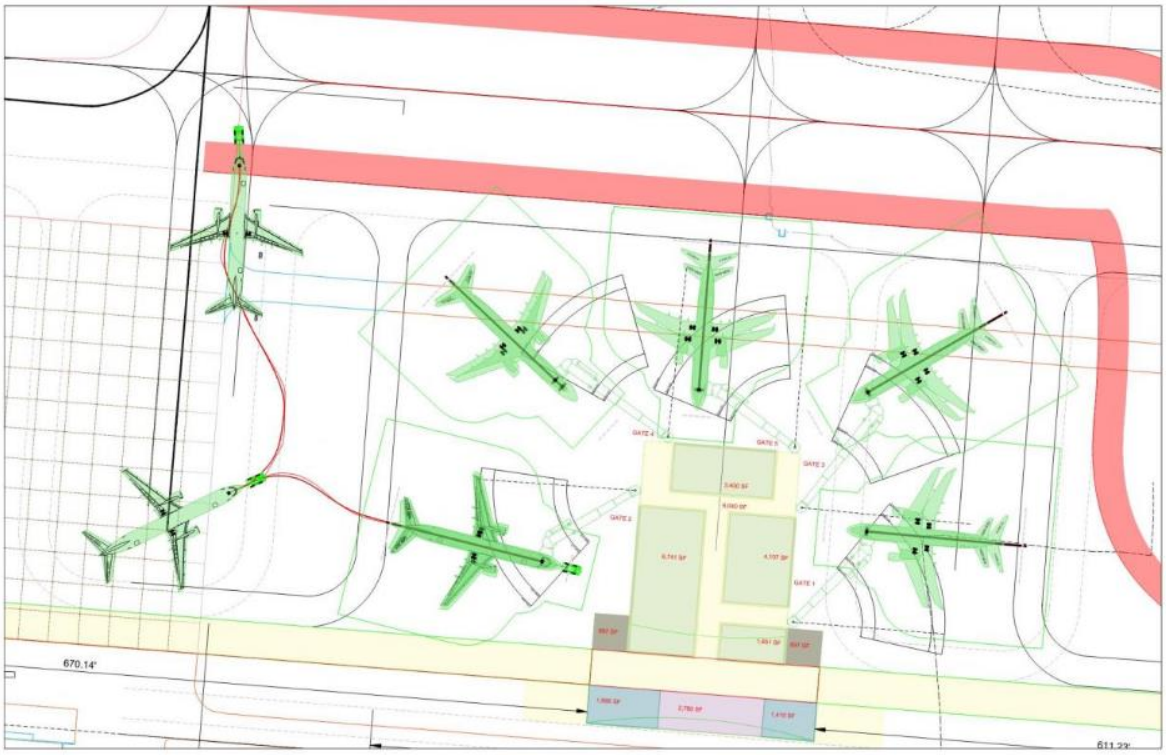
The terminal is currently in need of expansion and renovation to address evolving industry standards and passenger demands. While expanding the terminal to meet these demands, the airport also desires to update key existing portions of the terminal, improve the passenger experience, integrate stakeholder and tenant objectives, and take advantage of potential federal, state, and local funding available for this work.

The scope of the proposed project will include:

- Pod Building addition – four and eventually up to five new gates along with support amenities
- Connector building
- Apron expansion
- Security checkpoint upgrades
- New gate departures lounge
- New concessions area
- Additional passenger amenities
    - Restrooms, mother's room, sensory room
- Passenger boarding bridges

The proposed expansion would consist of approximately 68,000 square feet of new terminal space and 35,000 square yards of additional apron. See ***Figure 2***.

Figure 2: Proposed Terminal/Apron Expansion



Source: Mead & Hunt, 2023

Project Need

The existing terminal building, which was constructed in 2004, has undergone incremental improvements over the past 20 years. The terminal currently needs expansion and renovation to address evolving industry standards and passenger demands.

TVC has outpaced the industry in recovery since the COVID-19 Pandemic. Their current enplanement levels for the year 2022 exceeded those originally forecasted for the year 2022 by nearly 47,000 enplanements.

Since 2022, TVC has acquired weekly air carrier service from Allegiant Air to Punta Gorda, Florida (PGD), Daytona Beach/Orlando-Sanford, Florida (SFB), Phoenix/Mesa, Arizona (AZA), and Tampa St. Petersburg (PIE), Florida, on an Airbus A319 with 156 seats and an Airbus A320 with 186 seats. In addition, United and American Airlines have posted schedules with upgauged aircraft to multiple cities. Beginning in June 2023, American Airlines upgauged from an E175 regional jet aircraft to an A320 for daily flights between TVC and Dallas/Fort Worth International Airport (DFW). United also followed suit with an upgauge to an A320 from an E175 regional jet for their afternoon flight from TVC to the Denver International Airport (DEN) during the summer season. In addition, Sun Country Airlines began service from TVC to Minneapolis-St. Paul International Airport (MSP) on Mondays and Fridays in June of 2023. Most recently, Avelo Airlines has announced that they will begin weekly service in June of 2024 between TVC and New Haven, Connecticut (HVN) utilizing a Boeing 737-700 aircraft.

Since 2022, TVC has acquired new airline service from Allegiant Air, Avelo Airlines, and Sun Country Airlines.

TVC's addition of service provided by Allegiant Air and Sun Country Airlines and the upgauging from regional jets to mainline aircraft from both American and United Airlines resulted in more than 350,000 enplanements in 2023. With the continuous growth of the existing air carriers and the addition of Avelo service, it is anticipated that enplanements at TVC will exceed 370,000 for the year 2024.

The existing terminal building was designed and constructed to accommodate 300 peak hour passengers (PHP). In the Summer of 2023, it is estimated that PHP numbers exceeded 700 during peak times. This **exceeds the intended number of passengers** that the terminal building was originally designed for by **nearly 250 percent**.

Historical Projects and Funding Sources

The following sections present historical projects and their funding sources at TVC, as well as the proposed project elements, their estimated cost, and anticipated funding eligibility.

TVC has not received Federal Discretionary funding in nearly two decades .

Airport Improvement Program (AIP) Project History

A five-year project history and associated AIP Federal Entitlement funding for Cherry Capital Airport is provided in ***Table 1***.

Table 1: AIP Project History

Year	Project Description	(AIP) Entitlement	Discretionary	CARES	AIG	ATRM
2019	Reconstruct Taxiway	$524,203				
	Reconstruct Apron	$524,204				
	Update Miscellaneous Study	$144,000				
	Install Airfield Guidance Signs	$358,133				
	Conduct Airport Energy Efficiency Assessment	$47,249				
2020	Acquire Land for Approaches	$330,275				
	Improve/Modify/Rehabilitate Terminal Building	$1,567,080				
	Zero Emissions Vehicle/Infrastructure	$72,420				
2021	CRRSA Act Funds			$2,370,379		
	Acquire Aircraft Rescue & Fire Fighting Vehicle, Acquire Land for Approaches, Obstruction Marking/Lighting/Removal [Non-Hazard]	$2,107,080		$234,120		
	CRRSA Act Concessions			$61,470		
	General ARPA			$3,687,048		
2022	Large Concessions			$245,882		
	Obstruction Marking/Lighting/Removal [Non-Hazard]	$2,595,411				
2023	Expand Apron				$4,568,714	
	Improve/Modify/Rehabilitate Terminal Building					$5,225,000

Source: FAA.gov

PFC Project History

TVC's project history, funded by passenger facility charges (PFCs) is outlined in ***Table 2***.

Table 2: PFC Project History

Authorizing PFC Document	Project Description	PFC Total
PFC App 2017-06-C-00-TVC	Reimbursement of passenger facility charge administrative costs. Runway friction testing procurement. Snow removal equipment, multi-use plow truck and snow sweeper procurement. Snow removal equipment, plow truck and material spreader procurement. Airport lighting and control panel in air traffic control tower.	$1,691,018
PFC App 2017-07-C-01-TVC	Reimbursement of passenger facility charge administration. Reimbursement of passenger facility charge audit costs. Rehabilitate runway 10/28 (6,900' x 150'), design and construct. Extend runway 10 (115' x150'), design and construct. Extend / realign taxiway D, design and construct. Relocate service road (7,300' x24'), design and construct. Acquire land for Runway 10 approach protection. Obstruction removal for Runway 10 approach. Relocate visual approach slope indicators and convert to precision approach path indicators for Runway 10, design and construct. Install medium intensity approach light system and runway alignment indicator lights Runway 10 approach, design and construct. Rehabilitate Runway 10/28 lighting, design and construct. Extend Taxiway G, design and construct.	$7,126,301
PFC App 2024-08-C-00-TVC*	Installation of Instrument Landing System (ILS) – Runway 10.	$7,101,566

**Awaiting final approval by FAA (4/2024)*

Major Project Elements and Cost

The major project elements and estimated costs associated with these projects are broken down by hold room design and construction, and commercial apron design and construction in ***Table 3***.

Table 3: Major Project Elements and Cost

Proposed Development Year	Project Element	Estimated Cost
2025	Design: Terminal Gate Hold Room Expansion – Pod #1	$3,500,00
2025	Design: Commercial Apron Expansion – Terminal Phase 1	$2,000,000
2026	Construct: Terminal Gate Hold Room Expansion – Phase 1 (Hold Room)	$49,700,000
2026	Construct: Commercial Apron Expansion - Phase 1	$12,620,000
2027	Construct: Terminal Gate Hold Room Expansion - Phase 2 (Connector Corridor)	$21,300,000
2027	Construct: Terminal Gate Hold Room Expansion - Phase 3 (Install PBBs)	**$11,100,000**
2028	Construct: Commercial Apron Expansion - Phase 2	**$12,620,000**
Total Program Estimate		**$112,840,000**

Source: Mead & Hunt, 2023/2024; NRAA, 2023

AIP/PFC Eligibility

Eligibility analysis was conducted during the development of the *Financial Implementation Analysis* (***Appendix A***) prepared by Ricondo & Associates, Inc. The analysis concluded that approximately 65.7 percent of the project components related to terminal building development are eligible for AIP funding. In addition, the expansion of the commercial apron is estimated to qualify for 90 percent of AIP funding.

PFC eligibility determination was also reviewed in the development of the Financial Implementation Analysis. It was revealed that approximately 79.6 percent of the cost of the terminal building expansion components are eligible for PFC funding.

Please see ***Appendix A*** for more details regarding funding eligibility.

Sponsor Expectations

The following sponsor expectations and proposed project phasing have been derived from TVC's updated Airport Capital Improvement Program (ACIP), dated 5/13/2024. The projected year, phase, and project description are outlined in ***Table 4***.

Table 4: Proposed Project Phasing

Year	Phase	Project Description
2025	Design	Terminal Gate Hold Room Expansion – Pod #1
2025	Design	Commercial Apron Expansion – Terminal Phase 1
2026	Construction	Terminal Gate Hold Room Expansion – Phase 1 (Hold Room)
2026	Construction	Commercial Apron Expansion – Phase 1
2027	Construction	Terminal Gate Hold Room Expansion – Phase 2 (Connector Corridor)
2027	Construction	Improve Terminal: Install Passenger Boarding Bridges (PBBs) – Phase 3
2028	Construction	Commercial Apron Expansion – Phase 2

Funding Scenarios

Funding scenarios were reviewed in great detail in preparation of this financial plan. Anticipated sources of funding for the proposed development program include the following:

- AIP Entitlement Grants
- AIP Discretionary Grants
- BIL-AIG Grants
- BIL-ATP Grants
- State Grants
- Bond Funds
- Authority Funds

The anticipated allocation of the funding sources list above is presented in ***Appendix A***, *Financial Implementation Analysis*.

Appendix A

Financial Implementation Analysis

Ricondo & Associates, Inc.

Appendix A.

Financial Implementation Analysis

Introduction

This appendix presents a Financial Implementation Analysis (Analysis) for the Cherry Capital Airport (Airport) New Concourse Expansion Project (Project) and a short-term Airport Capital Improvement Program (CIP). The Analysis includes the evaluation and presentation of an achievable capital funding plan for the Project, the Authority's short-term CIP, and a financial feasibility analysis for the Project. The financial feasibility analysis assessed the estimated financial impact of the Project and associated CIP on airline costs, airport revenues, and overall net cashflow of the Northwest Regional Airport Authority (the Authority), the owner and operator of the Airport. The Analysis is presented on a fiscal year basis (fiscal years ending December 31). It assumes that the federal grants described in this Chapter are awarded on a Federal Fiscal Year (FFY) basis (October through September).

As described in Section A.1, the Project and corresponding CIP includes the design and construction of the following:

- A connector concourse to serve a new five (5) Gate Hold Room to the east of the existing five (5) Gate Hold Room;
- Acquisition and installation of Passenger Boarding Bridges (PBBs) to serve up to a new five (5) Gate Hold Room;
- Expansion of the Commercial Aircraft Apron to accommodate the up to a new five (5) Gate Hold Room;
- Expansion of the existing Airport Terminal Building (Terminal Building) to accommodate additional airline ticketing space and airline office areas, as well as the expansion of airline baggage make-up and inbound baggage claim areas;
- Rehabilitation of the Terminal Building roofing, lighting, and HVAC systems which have all reached the end of their useful lives; and
- Taxiway reconfiguration, obstruction removal, and land acquisition.

The Project will provide an additional 92,200 square feet of Terminal Building space and is expected to cost approximately $113 million. The CIP includes the Project and associated airfield improvements listed above. The overall cost of the CIP, including the Project, is $137 million.

The Analysis includes the following:

- Development of a CIP which includes estimated costs and projected phasing by years for each proposed CIP project;
- Identification of potential funding sources and an evaluation and analysis of the likely availability of such funding during the development years, as applicable;
- Development of projections of airline activity, operating expenses, and nonairline revenues upon completion of the Project;

- Development of projected airline rates and charges and corresponding airline revenue to assess the impact of the potential funding plan for the Project on key financial results, such as airline cost per enplaned passenger (CPE) and cash flow; and,
- Development of financial projections for the period FY 2024 through 2034 (the Projection Period) to encompass the implementation of the Project and gauge whether the Project is financially feasible.

A.1 Airport Capital Improvement Program Projects and Funding

Table A.1 presents the estimated cost of each component of work included in the Project and the proposed phasing plan by development year. The components of the Project are anticipated to be completed over a four year period, with substantial completion occurring in FY 2028.

Table A.2 presents the Authority's CIP for the period FY 2024 through 2028 and includes all components/work elements of the Project. The CIP serves as a critical planning tool for the Federal Aviation Administration (FAA) in establishing priorities and determining potential federal funding for the Airport when compared with the needs of other airports.

Table A.1 Project Phasing and Estimated Costs

Development Year	Project	Estimated Cost
FY 2025	Design: Terminal Gate Hold Room Expansion - Pod #1	$3,500,000
	Design: Commercial Apron Expansion - Terminal Phase 1	$2,000,000
	Total	**$5,500,000**
FY 2026	Construct: Terminal Gate Hold Room Expansion - Phase 1 (Holdroom)	$49,700,000
	Construct: Commercial Apron Expansion - Phase 1	$12,620,000
	Total	**$62,320,000**
FY 2027	Construct: Terminal Gate Hold Room Expansion - Phase 2 (Connector Corridor)	$21,300,000
	Construct: Terminal Gate Hold Room Expansion - Phase 3 (Install PBBs)	$11,100,000
	Total	**$32,400,000**
FY 2028	Construct: Commercial Apron Expansion - Phase 2	$12,620,000
	Total	**$12,620,000**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.
Notes:
PBBs – Passenger Boarding Bridges

The CIP further identifies capital funding needs and allows budgeting/financial decisions to be made with a comprehensive understanding of financial implications. The CIP presented herein represents a short-term plan for projects, costs, and funding when this Analysis was published. The CIP is regularly reviewed and revised as necessary by the Authority and FAA. As such, the CIP presented in this Analysis is subject to change.

The Authority's overall funding strategy is to maximize opportunities to receive federal funds within the context of and in recognition of the amount of local funds available to support capital needs. While the FAA uses the CIP for programming purposes, neither the federal government nor the Authority are financially obligated to provide funding for the CIP. If federal matching funds are unavailable for the Project, it is unlikely that local funding will cover its cost, and the Project will be deferred until non-local funding becomes available.

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Table A.2 Capital Improvement Program (FY 2024 – 2029)

Projects by Year	Estimated Cost	Estimated Funding Sources							
		AIP Entitlement Grants	AIP Discretionary Grants	BIL-AIG Grants	BIL-ATP Grants	State Grants	PFC Pay-Go	Bonds	Local Funds
FY 2024									
Design & Construct: Terminal Rehabilitation: Roof	$2,275,000	$0	$0	$2,047,500	$0	$113,750	$0	$0	$113,750
Design: Terminal Rehabilitation: Lighting Phase 1 of 2	$211,000	$0	$0	$189,900	$0	$10,550	$0	$0	$10,550
Design: Terminal Rehabilitation: HVAC Phase 1 of 2	$613,000	$0	$0	$551,700	$0	$30,650	$0	$0	$30,650
Total FY 2024	**$3,099,000**	**$0**	**$0**	**$2.789,100**	**$0**	**$154,950**	**$0**	**$0**	**$154,950**
FY 2025									
Design: Terminal Gate Hold Room Expansion – Pod #1	$3,500,000	$3,150,000	$0	$0	$0	$175,000	$0	$0	$175,000
Design: Commercial Apron Expansion – Terminal Phase 1	$2,000,000	$1,800,000	$0	$0	$0	$100,000	$0	$0	$100,000
Total FY 2025	**$5,500,000**	**$4,950,000**	**$0**	$0	**$0**	**$275,000**	**$0**	**$0**	**$275,000**
FY 2026									
Construct: Terminal Rehabilitation: Lighting Phase 2 of 2	$1,989,000	$1,543,900	$0	$0	$0	$85,772	$0	$0	$359,3280
Construct: Terminal Rehabilitation: HVAC Phase 2 of 2	$8,637,000	$3,187,920	$0	$3,516,480	$0	$372,467	$0	$0	$1,560,133
Construct: Terminal Gate Hold Room Expansion – Phase 1 (Holdroom)	$49,700,000	$0	$0	$1,284,277	$8,598,300	$1,640,100	$0	$38,177,323	$0
Construct: Commercial Apron Expansion – Phase 1	$12,620,000	$0	$9,900,000	$0	$0	$550,000	$0	$1,620,000	$550,000
Total FY 2026	**$72,946,000**	**$4,731,820**	**$9,900,000**	**$4,800,757**	**$8,598,300**	**$2,648,339**	**$0**	**$39,797,323**	**$2,469,461**
FY 2027									
Construct: Terminal Gate Hold Room Expansion – Phase 2 (Connector Corridor)	$21,300,000	$2,200,000	$0	$0	$0	$1,065,000	$0	$18,035,000	$0
Construct: Terminal Gate Hold Room Expansion – Phase 3 (Install PBBs)	$11,100,000	$0	$0	$0	$10,545,000	$277,500	$0	$277,500	$0
Total FY 2027	**$32,400,000**	**$2,200,000**	**$0**	**$0**	**$10,545,000**	**$1,342,500**	**$0**	**$18,312,500**	**$0**
FY 2028									
Design & Construct: Obstruction Removal Phase 3	$650,000	$0	$0	$0	$0	$32,500	$0	$0	$617,500
RWY 36 RPZ Land Acquisition: 723 Duell Road – Phase 2	$550,000	$0	$0	$0	$0	$27,500	$0	$0	$522,500
Design: Taxiway C&D Reconfiguration, Taxiway D Rehabilitation	$800,000	$0	$0	$0	$0	$40,000	$0	$0	$760,000
Construct: Commercial Apron Expansion Phase 2	$12,620,000	$2,200,000	$7,700,000	$0	$0	$550,000	$0	$1,620,000	$550,000
Total FY 2028	**$14,620,000**	**$2,200,000**	**$7,700,000**	**$0**	**$0**	**$650,000**	**$0**	**$1,620,000**	**$2,450,000**
FY 2029									
Construct: Taxiway C&D Reconfiguration, Taxiway D Rehabilitation	$8,500,000	$2,200,000	$5,050,000	$0	$0	$425,000	$0	$0	$825,000
Total FY 2029	**$8,500,000**	**$2,200,000**	**$5,050,000**	**$0**	**$0**	**$425,000**	**$0**	**$0**	**$825,000**
Total Capital Improvement Program	**$137,065,000**	**$16,281,820**	**$22,650,000**	**$7,589,857**	**$19,143,300**	**$5,495,789**	**$0**	**$59,729,823**	**$6,174,411**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

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Capital Improvement Program Funding Sources

Airport development is often funded by a combination of public and private sources. The CIP funding plan developed for the purposes of this Analysis does not represent a final plan of finance. Additional actions would need to be undertaken before using some of these funding sources for specific components of the Project, such as the issuance of General Airport Revenue Bonds (GARBs) and any federal/state funds that require the preparation of an application for funding. Furthermore, different types and combinations of funding sources other than the ones evaluated in this analysis may be more financially feasible at the point in time when the Authority is poised to move forward with the implementation of the CIP. For purposes of this Analysis, it is assumed that costs of the CIP will ultimately be financed from sources including federal Airport Improvement Program (AIP), federal Bipartisan Infrastructure Law (BIL) grants, Michigan Department of Transportation (MDOT) grants, bond proceeds, and local funds (unrestricted Authority cash).

Table A.3 summarizes the estimated CIP funding sources by year. **Table A.4** summarizes anticipated funding sources for CIP projects.

Table A.3 Capital Improvement Program Funding Summary

Year	Estimated Funding Sources							
	AIP Entitlement Grants	AIP Discretionary Grants	BIL-AIG Grants	BIL-ATP Grants	State Grants	Bond Funds	Authority Funds	Total
FY 2024	$0	$0	$2,789,100	$0	$154,950	$0	$154,950	$3,099,000
FY 2025	$4,950,000	$0	$0	$0	$275,000	$0	$275,000	$5,500,000
FY 2026	$4,731,820	$9,900,000	$4,800,757	$8,598,300	$2,648,339	$39,797,323	$2,469,461	$72,946,000
FY 2027	$2,200,000	$0	$0	$10,545,000	$1,342,500	$18,312,500	$0	$32,400,000
FY 2028	$2,200,000	$7,700,000	$0	$0	$650,000	$1,620,000	$2,450,000	$14,620,000
FY 2029	$2,200,000	$5,050,000	$0	$0	$425,000	$0	$825,000	$8,500,000
Total	**$16,281,820**	**$22,650,000**	**$7,589,857**	**$19,143,300**	**$5,495,789**	**$59,729,823**	**$6,174,411**	**$137,065,000**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

Table A.4 Project Funding Summary

Projects by Year	Estimated Cost	Estimated Funding Sources						
		AIP Entitlement Grants	AIP Discretionary Grants	BIL-AIG Grants	BIL-ATP Grants	State Grants	Bond Funds	Authority Funds
Design: Terminal Gate Hold Room Expansion - Pod #1	$3,500,000	$3,150,000	$0	$0	$0	$175,000	$0	$175,000
Design: Commercial Apron Expansion - Terminal Phase 1	$2,000,000	$1,800,000	$0	$0	$0	$100,000	$0	$100,000
Construct: Terminal Gate Hold Room Expansion - Phase 1 (Holdroom)	$49,700,000	$0	$0	$1,284,277	$8,598,300	$1,640,100	$38,177,323	$0
Construct: Commercial Apron Expansion - Phase 1	$12,620,000	$0	$9,900,000	$0	$0	$550,000	$1,620,000	$550,000
Construct: Terminal Gate Hold Room Expansion - Phase 2 (Connector Corridor)	$21,300,000	$2,200,000	$0	$0	$0	$1,065,000	$18,035,000	$0
Construct: Terminal Gate Hold Room Expansion - Phase 3 (Install PBBs)	11,100,000	$0	$0	$0	$10,545,000	$277,500	$277,500	$0
Construct: Commercial Apron Expansion - Phase 2	12,620,000	$2,200,000	$7,700,000	$0	$0	$550,000	$1,620,000	$550,000
Total Capital Improvement Program	**$112,840,000**	**$9,350,000**	**$17,600,000**	**$1,284,277**	**$19,143,300**	**$4,357,600**	**$59,729,823**	**$1,375,000**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

Federal Airport Improvement Program Grants

The Airport and Airway Improvement Act of 1982 authorizes federal funding for the AIP to come from the Airport and Airway Trust Fund for airport development, airport planning, and noise compatibility planning and programs. The Airport and Airway Trust Fund is financed through aviation system user taxes on airfares, air freight, and aviation fuel.

The FAA distributes AIP funds in the form of grants to airport sponsors to finance eligible costs of certain airport improvements in the form of passenger entitlement grants and discretionary grants. AIP grants may be used to fund eligible land acquisition, noise mitigation, airfield improvements, airport roadways, planning studies, and safety and security systems and equipment.

An AIP eligibility analysis conducted in support of the Project determined the AIP eligible percentage associated with the Terminal Building components of work - the connector concourse; the new 5 Gate Hold Room; expansion of the existing ticketing, baggage make-up, and baggage claim areas; and PBBs - could receive approximately 67.5 percent AIP funding. The expansion of the Commercial Aircraft Apron to accommodate the new 5 Gate Hold Room Area, taxiway reconfiguration, obstruction removal, and land acquisition components of work would be eligible for the usual and customary 90 percent AIP funding level for non-hub airports.

Eligible elements of work do not necessarily indicate how much AIP funding the Authority will receive during the Projection Period, and all AIP grants are subject to a prescribed local match requirement. In the case of the terminal components of work for the Project, the Authority will need to fund 32.5 percent of the cost and contribute 10.0 percent funding, net of MDOT funding, toward the expansion of the Commercial Aircraft Apron to accommodate the new 5 Gate Hold Room Area, taxiway reconfiguration, obstruction removal, and land acquisition.

AIP entitlement grants are allocated to airports based on a formula set forth in the FAA AIP Handbook[1], which is based on the number of enplaned passengers served at an airport on an annual basis. In accordance with the AIP entitlement formula specified in the AIP Handbook, along with the passenger activity forecasts, the Authority is expected to receive up to approximately $2.2 million in AIP entitlement grant funding annually throughout the Projection Period. **Table A.5** presents the estimated availability and use of AIP entitlement grants assumed in this Analysis.

[1] U.S. Department of Transportation Federal Aviation Administration Order 5100.38D, Change 1, Chapter 4-1 Table 4-1 *AIP Funds by Category, Type, and Calculation*

Table A.5 Airport Improvement Program Entitlement Grants

Year	Carryover	Estimated Annual Entitlement	Used For Capital Funding	Remaining
FFY 2024	$3,081,820	$2,200,000	$0	$5,281,820
FFY 2025	$5,281,820	$2,200,000	$4,950,000	$2,531,820
FFY 2026	$2,531,820	$2,200,000	$4,731,820	$0
FFY 2027	$0	$2,200,000	$2,200,000	$0
FFY 2028	$0	$2,200,000	$2,200,000	$0
FFY 2029	$0	$2,200,000	$2,200,000	$0

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

AIP discretionary grants are distributed for individual projects based on funding availability and the priority of the project compared to airports nationwide. The AIP Handbook sets forth the prioritization formula used by the FAA to rank eligible projects submitted by airport owners and operators through their respective CIP submittals for AIP discretionary funding. The CIP funding plan presented in Table A.2 assumes approximately $23 million in AIP discretionary funding will be allocated by the FAA for the CIP through the Projection Period. Approximately $18 million of the proposed AIP discretionary funding request will be used by the Authority to construct the expansion of the Commercial Aircraft Apron to accommodate the new Gate Hold Room Area, while the balance of AIP discretionary funding will be used for the Taxiway C&D Reconfiguration and Rehabilitation project.

The proposed CIP funding plan presented in Table A.2 assumes the Authority will receive AIP discretionary funding in FFY 2026, FFY 2028, and FFY 2029 for the above-referenced projects. However, the future availability of AIP discretionary grants is not certain until an actual grant is awarded. Therefore, CIP projects for which discretionary funding is anticipated to be used may have to be delayed or postponed until such funds become available, unless other funding sources are identified.

Bipartisan Infrastructure Law Grants

In November 2021, the BIL was enacted into law and effectively doubled AIP infrastructure funding levels to give US airports an opportunity to make significant facility reinvestments for the future. Grant funds received through the BIL program can be invested in runways, taxiways, safety, sustainability projects, terminals, airport-transit connections, and roadway projects. Under BIL Airport Infrastructure Grants (AIG), airports receive funds for five years (FFY 2022 through FFY 2026) based on an aviation activity-based allocation.

BIL-AIG grants are not AIP grants but are allocated to airports based on the AIP entitlement formula published in the FAA AIP Handbook. As such, the annual allotment of BIL-AIG grant funds is expected to be similar to annual AIP entitlement grant funds for the Authority. Consistent with the AIP entitlement grant assumptions noted previously, annual BIL-AIG grant funds are assumed to total $2.4 million annually for FFY 2024 through FFY 2026. **Table A.6** presents the estimated availability and use of BIL-AIG grants assumed in this analysis.

Table A.6 Bipartisan Infrastructure Law Entitlement Grants

Year	Carryover	Estimated Annual Entitlement	Used For Capital Funding	Remaining
FFY 2024	$389,857	$2,400,000	$2,789,100	$757
FFY 2025	$757	$2,400,000	$0	$2,400,757
FFY 2026	$2,400,757	$2,400,000	$4,800,757	$0
FFY 2027	$0	$0	$0	$0
FFY 2028	$0	$0	$0	$0

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

In addition to AIG, the BIL established the Airport Terminal Program (ATP), a competitive discretionary grant program, which provides approximately $1 billion in grant funding annually for 5 years (FFY 2022 through FFY 2026) to upgrade, modernize, and rebuild airport terminals. It is anticipated that the Authority will apply for FY 2025 BIL-ATP funding for the construction of the Terminal Building components of the Project. An additional $19 million of BIL-ATP funding is assumed in the funding plan for the construction of the Project in FY 2026 and FY 2027.

MDOT Grants

The MDOT Division of Aeronautics disburses aeronautics state revenue through the State Aeronautics Fund (SAF), generated by sales and excise taxes on aviation fuel and the Airport Parking Tax. For purposes of this Analysis, it is assumed that the Authority will receive $5.5 million in MDOT funding from FY 2024 through FY 2029. As presented in Table A.2, MDOT funding will be used to fulfill up to 5 percent of the Authority's 10 percent local matching grant requirement for the Project design services, PBBs, Connector Corridor, Commercial Aircraft Apron to accommodate the new 5 Gate Hold Room Area, terminal rehabilitation (lighting, HVAC, and roof replacement), taxiway reconfiguration, obstruction removal, and land acquisition components of work. Additional MDOT funds are also programmed for the construction of the 5 Gate Hold Room Area in FY 2025.

Bond Proceeds

The Authority plans to issue general airport revenue bonds (GARBs) to fund, in whole or in part, certain elements of work associated with the Project (Series 2024 Bonds). **Table A.7** presents the assumptions for the Series 2024 Bonds, including interest rates, based on market rates as of May 2024. Bond proceeds are anticipated to fund $59.7 million of the Project's total cost.

Table A.7 Bond Financing Assumptions

Series 2024 Bonds	
Year of Issuance	2024
Capitalized Interest Period (months)	36
Term (years)	29
Cost of Issuance	2.00%
Coupon Rate	5.00%

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

Based on the assumptions in Table A.7, annual debt service payments will total approximately $4.9 million per year, to be paid through revenue generated through Airport activity.

Authority Funds

As depicted in Table A.2, it is assumed that the Authority will dedicate $6.2 million of its unrestricted fund balance to fulfill the Authority's AIP local funding match requirement or to fund projects or portions of projects that are not otherwise financed through the other sources described in this Analysis. Authority funds allocated for this purpose are generated through annual net revenues with the consideration of operating revenues and expenses, the receipt of grants and loan proceeds, and capital expenditures.

A.2 Financial Feasibility Analysis

A financial feasibility analysis was conducted to evaluate the potential financial impact of the Project and overall CIP on airline rates and charges, airline costs[2], and annual net cash flow for the Authority.

Aviation Activity Forecasts

Forecasts of enplaned passengers, aircraft operations, and aircraft landed weight are an underlying assumption for the financial feasibility analysis and are presented in **Table A.8**. The enplaned passenger forecast used in the financial feasibility analysis is based on the FAA Terminal Area Forecast (TAF) as of January 2024 with adjustments to account for new entrants. The enplaned passenger forecast for FY 2024 is budgeted by the Authority. From FY 2025 to FY 2034, enplaned passengers are forecast to increase at a compounded annual growth rate of 4.0 percent compared to 2.3 percent in the FAA's 2024 TAF for the Airport. The increased enplaned passenger forecasts account for expected new entrants during the Projection Period, with total enplaned passengers 10 percent higher than the FAA TAF in FFY 2027 and 15 percent higher in FFY 2032.

The forecast of air carrier landed weight is based on actual Authority records through FY 2023, with future annual growth consistent with the forecast growth in air carrier operations for FY 2024 through 2034 (2.3 percent compounded annual growth rate increase).

[2] When airlines pay the required Airport rates and charges, it is a cost to the airlines and revenue for the Airport.

Table A.8 Historical and Forecast Aviation Activity

Year	Enplaned Passengers	Airline Landed Weight (1,000 pounds)
Actual		
FFY 2020	200,656	
FFY 2021	274,699	
FFY 2022	306,293	370,088
FFY 2023	340,340	503,579
Forecast		
FFY 2024	354,945	504,624
FFY 2025	382,097	518,716
FFY 2026	411,326	533,201
FFY 2027	442,791	548,090
FFY 2028	457,148	565,312
FFY 2029	471,970	583,075
FFY 2030	487,273	601,397
FFY 2031	503,073	620,294
FFY 2032	519,384	639,785
FFY 2033	530,874	654,041
FFY 2034	542,618	668,614
CAGR		
2022-2034	4.9%	5.1%
2025-2034	4.0%	2.9%

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.
Notes:
CAGR – Compound Annual Growth Rate

Terminal Space

The Project involves the expansion of the Terminal Building. Leasable space within the Terminal Building informs the collection of airline revenue through rates and charges assessed and collected by the Authority. Changes in Terminal Building space also impact some operational expenses, such as utilities and janitorial services. **Table A.9** presents the existing and future Terminal Building space, as well as the anticipated change in airline leased and common use space that is used in the calculation of the Terminal Building rental rates charged to the airlines.

Table A.9 Existing and Future Terminal Space

Terminal Space Category	Existing Space (sq ft)	Total Future Terminal Space (sq ft)
Ticketing	6,870	8,440
Outbound Baggage	9,085	14,590
Airside Operations	658	1,380
Inbound Baggage Claim	2,333	8,400
Baggage Circulation	2,665	4,450
Baggage Service Offices	686	600
Airline Support Space	0	210
Passenger Hold rooms	7,911	29,920
Concessions	6,792	9,900
Circulation	22,822	48,190
Ticket Lobby Queueing	3,556	5,340
Security Screening & TSA	5,906	10,220
Baggage Claim	5,419	10,600
Restrooms	2,781	7,640
Other Public Space	1,003	1,280
Airport Admin	5,446	5,440
Non-Public Circulation	3,383	5,490
Other Non-Public Space	21,592	29,040
Total	**108,908**	**201,130**
Exclusive Use Space		
Airline Ticketing (Counters, Offices)	6,870	8,440
Baggage Service Offices	686	600
Airside Operations	658	1,380
Airline Support Space	0	210
Total Exclusive Use	8,214	10,630
Common Use Space		
Outbound Baggage	9,085	14,590
Inbound Baggage Claim	2,333	8,400
Baggage Circulation	2,665	4,450
Total Common Use Space	14,083	27,440
Other Leasable Space	6,792	9,900
Total Leasable Space	**29,089**	**47,970**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

Projected Operating Expenses

Table A.10 presents projected operating expenses by category based on the Authority's adopted FY 2024 Budget. Assumptions regarding operating expense projections through the Projection Period were determined by category and based on historical data, industry trends, and discussions with the Airport Authority. This Analysis assumes that projected operating expense increases recognize the impact of inflation and increased operational activity on the costs for operating and maintaining Airport facilities. While inflation levels are higher than the long-term historical average as of the date of this Analysis, it is assumed that longer-term inflation levels will moderate within an average level of around 2.0 percent to 3.0 percent over the Projection Period. The following annual growth rates are from the Authority's adopted FY 2024 Budget:

- Personnel – 5.0 percent
- Administrative & Office Expenses – 5.0 percent
- Utilities – 4.0 percent
- Professional Services – 3.0 percent
- Supplies[3] – 3.0 percent
- Repairs & Maintenance – 3.0 percent
- Business Insurance – 3.0 percent
- Marketing & Promotion – 3.0 percent
- Interest Expense – 3.0 percent
- Miscellaneous Expenses – 3.0 percent

In addition to annual increases, certain categories of operating expenses were assumed to increase due to additional space associated with the completion of the Project. The corresponding one-time annual increase in operating expenses was calculated as a percentage of the increase in Terminal Building space. The following operating expense categories were assumed to increase as a result of the additional Terminal Building space: utilities, janitor supplies and service, repairs and maintenance, personnel, professional services, business insurance, interest expense, and miscellaneous expenses.

[3] Includes Janitorial Supplies & Service, Equipment Rent & Repair, and Gas & Oil.

Table A.10 Projection of Operating Expenses

Operating Expenses by Category	Budget FY 2024	Projected				
		FY 2026	FY 2028	FY 2030	FY 2034	CAGR
Telephone & Communications	$59,044	$62,640	$66,455	$70,502	$79,350	3.0%
Utilities	$878,900	$950,618	$1,407,229	$1,522,058	$1,780,593	7.3%
Janitor Supplies & Service	$466,262	$494,657	$617,356	$654,953	$737,155	4.7%
Equipment Rent & Repair	$253,700	$269,150	$285,542	$302,931	$340,952	3.0%
Gas & Oil	$420,000	$445,578	$472,714	$501,502	$564,445	3.0%
Repairs & Maintenance	$1,235,480	$1,310,721	$1,464,362	$1,553,542	$1,748,525	3.5%
Wages & Salaries	$3,145,644	$3,468,073	$4,187,698	$4,616,937	$5,611,915	6.0%
Payroll Taxes & Benefits	$1,454,574	$1,603,668	$1,936,429	$2,134,913	$2,595,000	6.0%
Professional Services	$1,665,231	$1,766,644	$2,204,856	$2,339,132	$2,632,713	4.7%
Admin. & Office Expenses	$205,748	$226,837	$250,088	$275,722	$335,142	5.0%
Business Insurance	$227,005	$240,830	$300,567	$318,871	$358,893	4.7%
Marketing & Promotion	$700,000	$742,630	$787,856	$835,837	$940,741	3.0%
Total Operating Expenses	**$10,711,588**	**$11,582,045**	**$13,981,150**	**$15,126,899**	**$17,725,425**	**5.2%**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.
Notes:
CAGR – Compound Annual Growth Rate

Projected Nonairline Revenue

Nonairline revenue includes all revenue other than revenue from airlines, such as public automobile parking, rental car revenue, terminal concessions, and general aviation revenue. **Table A.11** presents projected nonairline revenue based on the Authority's adopted FY 2024 Budget. Assumptions regarding the projection of nonairline revenue through FY 2034 were determined by category and based on historical data, industry trends, and discussions with the Airport Authority. Inflation impacts are included in the revenue growth projections, under the same assumptions noted previously with regard to average inflation rates. The following growth rates are from the Authority's adopted FY 2024 Budget:

- **Airside** – Nonairline airside revenues include items such as fixed base operator (FBO) revenue (collected Landing Fees and tiedown fees), general aviation hangar leases, land rent, and aviation fuel sales. Fuel flowage fees/taxes and general aviation-related landing fee revenue are assumed to increase at 3.0 percent annually. Lease/rent revenues are assumed to increase at 2.5 percent per year (inflation).
- **Terminal** – Concessions revenues are assumed to increase at a compounded annual growth rate of 20.1 percent, accounting for growth in passenger activity, periodic price increases/inflation, and additional spend per passenger due to new offerings associated with the Project. Terminal leases/rents are assumed to increase at 2.5 percent per year (inflation). An annual fixed allowance is assumed for nonairline terminal rent for entities such as rental cars and ground handling services.

- **Landside** – Rental car and public automobile parking revenue are assumed to increase at a compounded annual growth rate of 5.3 percent and 12.1 percent, respectively, accounting for growth in passenger activity and periodic price increases/inflation.
- **Miscellaneous** – Miscellaneous income, such as advertising, is assumed to increase at 3.0 percent per year.

Table A.11 Projection of Nonairline Revenue

Revenue by Category	Budget FY 2024	Projected FY 2026	Projected FY 2028	Projected FY 2030	Projected FY 2034	CAGR
Rental Income[1]	$368,325	$386,971	$406,562	$427,144	$471,487	2.5%
GA Landing Fees	$133,455	$141,582	$150,205	$159,352	$179,352	3.0%
Tiedown Fees	$59,710	$63,346	$67,204	$71,297	$80,245	3.0%
Aviation Fuel, Gasoline	$783,560	$831,279	$881,904	$935,612	$1,053,039	3.0%
Land Rent	$630,659	$669,066	$926,112	$982,512	$1,105,826	5.8%
Auto Parking	$3,118,713	$4,608,691	$5,984,691	$7,176,134	$9,760,077	12.1%
Rental Car	$2,147,206	$2,534,720	$2,870,796	$3,119,543	$3,611,116	5.3%
Advertising	$70,800	$75,112	$79,686	$84,539	$95,149	3.0%
Rental Income (Gift Shop/Café)	$138,750	$160,790	$273,664	$390,116	$434,426	12.1%
Concessions	$26,085	$30,228	$85,045	$146,086	$162,679	20.1%
Miscellaneous Income	$56,800	$60,259	$63,929	$67,822	$76,334	3.0%
Interest	$480,000	$511,261	$574,368	$551,382	$731,136	4.3%
Total	**$8,014,063**	**$10,260,978**	**$12,634,137**	**$14,460,274**	**$18,217,903**	**8.3%**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.
Notes:
1/ Includes rent from non-airline tenants (i.e., car rental companies, TSA, etc.) and T-Hangar rent.
CAGR – Compound Annual Growth Rate

Projected Airline Revenue

Airline Revenues include Landing Fees, Terminal Rents, Sterile Area Fees, and Annunciator and PA System Fees, paid in accordance with the Airline Lease and Operating Agreement (Airline Agreement) dated January 1, 2023. For the purposes of this Analysis, it is assumed that any future airline agreement will have provisions similar to those in the Airline Agreement through FY 2034. **Table A.12** summarizes the projected airline rates and charges and associated airline revenue through the Projection Period.

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Table A.12 Projection of Airline Revenue

Rates and Charges		Projected FY 2024	FY 2026	FY 2028	FY 2030	FY 2032	FY 2034
Terminal Building Rents by Category							
Airline Space (sq ft)	[A]						
Leased Exclusive Use Space:							
Counter Space		1,352	1,587	3,031	3,622	3,622	3,622
Office Space		3,355	3,355	3,355	4,233	4,233	4,233
Storage Cage		405	405	961	1,262	1,262	1,262
Air Freight & Ops		0	0	162	210	210	210
Loading Bridges (# Leased)		4	4	9	10	10	10
Common Use Space:							
Baggage Make-Up		5,842	5,842	14,590	14,590	14,590	14,590
Baggage Claim		4,154	4,154	8,400	8,400	8,400	8,400
Tug Drive		2,774	2,774	4,450	4,450	4,450	4,450
Restrooms		84	84	84	84	84	84
Shared Gate Fee		1,352	1,587	3,031	3,622	3,622	3,622
Terminal Rate (per sq ft)	[B]						
Exclusive Use Space:							
Counter Space		$32.66	$34.65	$37.12	$39.38	$41.77	$44.32
Office Space		$28.00	$29.71	$31.82	$33.76	$35.81	$37.99
Storage Cage		$21.03	$22.31	$23.90	$25.35	$26.90	$28.54
Air Freight & Ops		$21.03	$22.31	$23.90	$25.35	$26.90	$28.54
Loading Bridges Fee (per Loading Bridge)		$32,536.32	$34,517.78	$36,975.45	$39,227.25	$41,616.19	$44,150.62
Common Use Space:							
Baggage Make-Up		$17.48	$18.54	$19.86	$21.07	$22.36	$23.72
Baggage Claim		$33.90	$35.96	$38.53	$40.87	$43.36	$46.00
Tug Drive		$17.48	$18.54	$19.86	$21.07	$22.36	$23.72
Restrooms		$33.90	$35.96	$38.53	$40.87	$43.36	$46.00
Shared Gate Fee		$47,589.12	$50,487.30	$54,081.99	$57,375.59	$60,869.76	$64,576.73
Airline Terminal Rental Revenue	**[C] = [A x B]**	**$618,624**	**$664,440**	**$1,338,004**	**$1,520,504**	**$1,613,103**	**$1,711,340**
Sterile Area Fees							
Common Use Fee	[A]	$1.11	$1.18	$1.26	$1.34	$1.42	$1.51
Safety and Security Fee	[B]	$3.27	$3.47	$3.72	$3.94	$4.18	$4.44
Total Sterile Area Fee (per Enplaned Passenger)	[C] = [A + B]	$4.38	$4.65	$4.98	$5.28	$5.60	$5.94
Enplaned Passengers	[D]	354,945	411,326	457,148	487,273	519,384	542,618
Less: Airline Incentives	[E]	(4,048)	(7,679)	(104,023)	0	0	0
Adjusted Enplaned Passengers	[F]=[D]-[E]	350,897	403,647	353,125	487,273	519,384	542,618
Total Sterile Area Fees	**[G] = [C x F]**	**$1,536,929**	**$1,875,645**	**$1,757,709**	**$2,573,157**	**$2,909,758**	**$3,225,050**
PA System Fees							
Assessed Fee (per Month per Airline)	[A]	$31.76	$33.69	$36.09	$38.29	$40.62	$43.10
# Months in Year	12	12	12	12	12	12	12
# Airlines	[B]	5	6	7	7	7	7
Less: Airline Incentives	[C]	(1)	(1)	(1)	0	0	0
Adjusted # of Airlines	[D]=[B]-[C]	4	5	6	7	7	7
PA System Fees	**[E] = [A x 12 x D]**	**$1,524**	**$2,022**	**$2,599**	**$3,216**	**$3,412**	**$3,620**
Landing Fee							
Assessed Rate per 1,000 pounds	[A]	$1.39	$1.47	$1.58	$1.68	$1.78	$1.89
Airline Landed Weight (1,000 pounds)	[B]	504,624	533,201	565,312	601,397	639,785	668,614
Less: Airline Incentives	[C]	(5,755)	(10,415)	(126,789)	0	0	0
Net Airline Landed Weight (1,000 pounds)	[D]=[B]-[C]	498,869	522,786	438,523	601,397	639,785	668,614
Airline Landing Fee Revenue	**[E] = [A x D]**	**$693,428**	**$770,926**	**$692,712**	**$1,007,848**	**$1,137,477**	**$1,261,127**

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024

The airline landed weight deducted for incentives is included in the airline landed weight in line item [B] but not the net airline landed weight in line item [D]. The change in total landed weight [B] between FY 2026 and FY 2028 is less than the change in airline incentives because we have included an assumption that new entrants will capture a portion of existing demand from carriers already operating at the airport. This assumption is conservative and was included in part to keep the landed weight forecast within the acceptable FAA TAF range. If the additional service covered under the incentives was additive instead, total landed weight [B] would see an increase in an amount equal to or greater than the increase in airline incentives (as suggested in the original comment).

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The general methodology used by the Authority to calculate airline rates and charges consists of the following:

- **Terminal Rental Rate** – Each category of leased airline space is assessed a specific rental rate as established in the first year of the Airline Agreement term. Per the Airline Agreement, these rates shall be adjusted annually to reflect increases in cost of living. In addition to the Terminal Rents charged on a per square foot basis, airlines are also charged gate fees on a per gate, per year basis. The terminal rental rate and resulting rents paid by the airlines is affected by changes in leased space and common use space associated with phased implementation of the Project.
- **Sterile Area Fees** – Sterile Area Fees are divided into a common use fee and a safety and security fee, both charged on a per enplaned passenger basis. Similar to the terminal rental rate, a base fee is established in the first year of the Airline Agreement term and adjusted annually to reflect cost of living increases.
- **PA System Fees** – PA System Fees are charged per airline on a monthly basis. Similar to the terminal rental rate, a base fee is established in the first year of the Airline Agreement term and adjusted annually to reflect cost of living increases.
- **Landing Fees** – Separate Landing Fees are assessed to commercial and general aviation operators at the Airport. Similar to the terminal rental rate, a base rate landing fee is established in the first year of the Airline Agreement term and is adjusted annually to reflect cost of living increases.

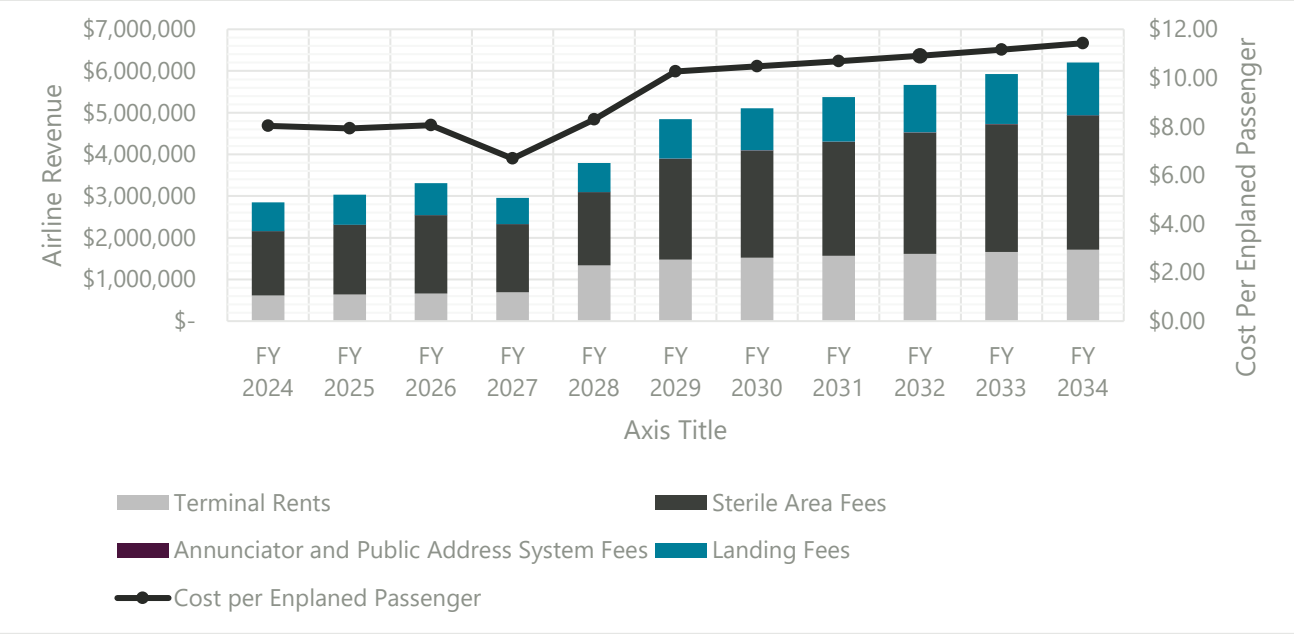
Projected airline rates and charges for the Projection Period are presented in Table A.12; however, they are not intended to indicate a formal schedule of future rates and charges to be assessed to the airlines. Airport management calculates appropriate airline rates and charges annually in consultation with the airlines. Projected rates and charges in this Analysis are estimated for the purpose of determining if the order of magnitude of the projected rates and charges seem reasonable given the described assumptions. In this context, the estimated order of magnitude of the projected rates and charges presented in Table A.12 appears reasonable.

Total airline revenue is the sum of Terminal Rental Revenues, Sterile Area Fees, PA System Fees, and Landing Fee revenue. Total airline revenue divided by enplaned passengers represents the average airline CPE for a given year. CPE is a common financial metric used to gauge the cost to an airline (total airport rates and charges) to enplane a passenger at an airport. CPE is commonly reported as an average for an airport since different airlines may incur different costs and enplane different levels of passengers. CPE data are not directly comparable among airports due to inconsistencies in what costs are included within airport rates and charges and differences in rate-setting methodologies.

As presented in **Figure A.13**, the Airport CPE is projected to increase moderately through the Projection Period, with more significant increases occurring in FY 2028 due to higher terminal rental revenue. The increase in terminal rental revenue can be attributed to additional leased and common use airline space resulting from the construction of the Project. The CPE projections could be considered comparable to similar size airports and are reasonable given the scope and cost of the Project, including the large increase in airline rented space occurring as a result of the Project.

Figure A.13 Airline Revenue and Cost Per Enplaned Passenger

Airline Revenue		Projected					
		FY 2024	FY 2026	FY 2028	FY 2030	FY 2032	FY 2034
Terminal Rents		$618,624	$664,440	$1,338,004	$1,520,504	$1,613,103	$1,711,340
Sterile Area Fees		$1,536,929	$1,875,645	$1,757,709	$2,573,157	$2,909,758	$3,225,050
Annunciator and Public Address System Fees		$1,524	$2,022	$2,599	$3,216	$3,412	$3,620
Landing Fees		$693,428	$770,926	$692,712	$1,007,848	$1,137,477	$1,261,127
Total Airline Revenue	**[A]**	**$2,850,506**	**$3,313,033**	**$3,791,024**	**$5,104,726**	**$5,663,749**	**$6,201,138**
Enplaned Passengers	[B]	354,945	411,326	457,148	487,273	519,384	542,618
Average Cost Per Enplaned Passenger	[A/B]	$8.03	$8.05	$8.29	$10.48	$10.90	$11.43



Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.
Notes:
1/ Annunciator and PA System Fees represent a relatively small portion of total Airline Revenues and may not be visible.

Passenger Facility Charge Revenue

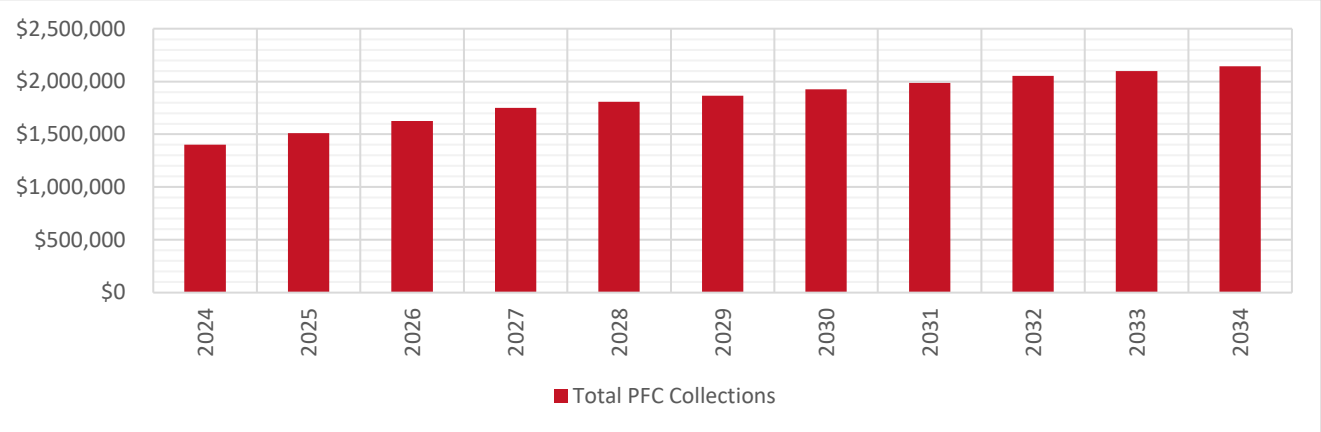
Since 1991, the collection of a PFC has been authorized under 14 CFR Part 158 and has been administered by the FAA. A PFC is collected by an airline on behalf of an airport sponsor from qualified passengers to fund eligible airport projects. Since April 1, 2001, airport sponsors can impose a PFC of up to $4.50 per qualified enplaned passenger.

PFC revenues may be used on a "pay-as-you-go" (Pay-Go) basis or leveraged to pay debt service on bonds or other debt issued for PFC-eligible projects. Because airport sponsors may use PFC revenues for the local matching share of AIP grants, PFCs can help airport sponsors implement AIP-financed projects sooner than they could otherwise. Although the FAA approves the collection of a PFC and the use of PFC revenues, the PFC program permits local collection of PFC revenues through the airlines operating at an airport and provides more flexibility to airport sponsors than AIP funding. PFC revenues may be used for projects that mitigate noise, enhance competition among airlines, or preserve or enhance safety, security, or capacity. Generally, this includes any AIP-eligible projects, although PFC eligibility is generally broader than AIP eligibility, particularly for terminal building projects. Because terminal building projects generally have non-PFC eligible work elements, a PFC eligibility analysis was conducted for the Terminal Building components of the Project and revealed that approximately 79.6 percent of the cost of the Terminal Building components of the Project are eligible for PFC funding.

The Authority currently collects a $4.50 PFC and utilizes the revenue as reimbursement for prior eligible capital expenditures, as included in the Authority's approved PFC applications. It is assumed that the Authority will continue to apply for, collect, and use PFC revenues at a level of $4.50 per eligible enplaned passenger through the Projection Period and use collected revenues to partially fund annual debt service for the Series 2024 Bonds, fulfill existing PFC Pay-Go reimbursement funding commitments, and fund additional CIP projects on a Pay-Go basis. **Figure A.14** presents projected PFC revenues based on the enplaned passenger forecast presented in Table A.8.

Figure A.14 Passenger Facility Charge Revenue

Airline Revenue		Budget FY 2024	Projected FY 2026	Projected FY 2028	Projected FY 2030	Projected FY 2034
Enplaned Passengers	[A]	354,945	411,326	457,148	487,273	542,618
PFC Level		$4.50	$4.50	$4.50	$4.50	$4.50
LESS: Airline Collection Fee		($0.11)	($0.11)	($0.11)	($0.11)	($0.11)
Net PFC Level	[B]	$4.39	$4.39	$4.39	$4.39	$4.39
Percent of Passengers Paying a PFC	[C]	90%	90%	90%	90%	90%
Enplaned Passengers Paying a PFC	[D] = [A x C]	319,451	370,194	411,433	438,546	488,356
PFC Collections	**[B x D]**	**$1,402,389**	**$1,625,150**	**$1,806,192**	**$1,925,218**	**$2,143,883**



Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

Customer Facility Charge Revenue

The customer facility charge (CFC) is a fee imposed by the Authority on each rental car user, collected by rental car companies. Unlike PFCs, CFCs are regulated at the local or state level. Therefore, the authorization, collection, and project eligibility vary from airport to airport.

The Authority currently collects a $6.00 CFC per rental as a reimbursement for prior eligible capital expenditures. It is assumed that the Authority will continue to collect and use a $6.00 CFC per car rental throughout the Projection Period on a cash reimbursement basis. However, these funds are restricted in their use and are not assumed to be available as a source of funding for the Project.

Cash Flow Analysis

A cash flow analysis was conducted to estimate the Authority's annual ending cash position and assess whether the implementation of the Project and overall CIP results in a positive cash flow. **Table A.15** presents a projection of annual funds remaining after deducting operating and capital expenditures from all revenue sources through the Projection Period.

Table A.15 Cash Flow Projection

Year	Beginning Balance	Operating Revenues	Interest Income	Operating Expenses	Debt Service	Capital Expenses	Ending Balance
FY 2024	$12,500,000	$10,384,569	$480,000	$10,711,588	$0	$0	$12,652,981
FY 2025	$12,652,981	$11,588,078	$485,874	$11,137,844	$0	$275,000	$13,314,089
FY 2026	$13,314,089	$12,875,078	$511,261	$11,582,045	$0	$2,469,461	$12,648,923
FY 2027	$12,648,923	$13,867,854	$485,719	$12,044,984	$0	$0	$14,957,511
FY 2028	$14,957,511	$18,885,101	$574,368	$13,981,150	$4,895,229	$1,900,000	$13,640,602
FY 2029	$13,640,602	$20,456,873	$523,799	$14,542,141	$4,895,229	$825,000	$14,358,904
FY 2030	$14,358,904	$20,590,102	$551,382	$15,126,899	$4,895,229	$849,750	$14,628,510
FY 2031	$14,628,510	$21,812,383	$561,735	$15,736,478	$4,895,229	$875,243	$15,495,678
FY 2032	$15,495,678	$23,106,370	$595,034	$16,371,981	$4,895,229	$901,500	$17,028,373
FY 2033	$17,028,373	$24,216,083	$653,890	$17,034,561	$4,895,229	$928,545	$19,040,012
FY 2034	$19,040,012	$25,374,752	$731,136	$17,725,425	$4,895,229	$956,401	$21,568,846

Sources: Northwest Regional Airport Authority; Ricondo & Associates, Inc., May 2024.

The resulting analysis depicts positive cash flow throughout the Projection Period, suggesting the amount of Authority funds (cash) assumed to fund various projects in the CIP is reasonable and feasible in the context of projected revenues and expenses and the underlying assumptions described in this Analysis. The lowest ending cash balance is projected to occur in FY 2026 and increase steadily during the Projection Period. Of primary consideration is the large AIP and BIL discretionary grant requests for the Project. If the FAA is unable to grant discretionary funds at the requested/projected level, alternative funding sources will be needed. Opportunities may include increased use of Authority funds as well as some form of short- or long-term debt financing.

Assumptions Underlying the Financial Implementation Analysis and Disclaimer

The techniques and methodologies used in preparing this Analysis are consistent with industry practices for similar studies evaluating the feasibility of airport capital programs. While the approach and assumptions used are believed to be reasonable, some assumptions regarding future trends and events presented in this Analysis, including the implementation schedule and enplanement forecasts, may not materialize.

Achievement of the projections presented in this Analysis, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.[1]

Conclusions

Based on this Analysis and its underlying assumptions, the implementation of the Project, as incorporated into the Authority's overall CIP, appears to be financially feasible. There are several funding sources for the Project, including activity-based funding such as PFC revenue and entitlement grants, airport revenues, and discretionary grants. It is important to note that the funding plan includes federal discretionary grants that help offset the need for other funding sources, and these grants play an important role in the overall plan.

[1] Ricondo & Associates, Inc. prepared this document for the stated purposes as expressly set forth herein and for the sole use of the Northwest Regional Airport Authority and its intended recipients. The techniques and methodologies used in preparing this document are consistent with industry practices at the time of preparation, and this document should be read in its entirety for an understanding of the analysis, assumptions, and opinions presented. Ricondo & Associates, Inc. is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934 and does not provide financial advisory services within the meaning of such act.